

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

In re:  
THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.<sup>1</sup>

PROMESA  
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**This filing relates to HTA.**

**REPLY OF THE PUERTO RICO HIGHWAYS AND TRANSPORTATION  
AUTHORITY TO RESPONSE FILED BY MGIC INDEMNITY CORPORATION TO  
SEVENTY-FIFTH OMNIBUS OBJECTION (SUBSTANTIVE) TO CLAIMS  
ASSERTING AMOUNTS FOR WHICH THE PUERTO RICO HIGHWAYS AND  
TRANSPORTATION AUTHORITY IS NOT LIABLE**

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**To the Honorable United States District Judge Laura Taylor Swain:**

The Puerto Rico Highways and Transportation Authority (“HTA”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the representative of HTA pursuant to Section 315(b) of the *Puerto Rico Oversight, Management, and*

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<sup>1</sup> The Debtors in these Title III cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the “Commonwealth”) (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19 BK 5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

*Economic Stability Act* (“PROMESA”),<sup>2</sup> files this reply (the “Reply”) to the *Response to Objection to Claim* [ECF No. 9326] (the “Response”), filed by claimant MGIC Indemnity Corporation (the “Claimant”) to the *Seventy-Fifth Omnibus Objection (Substantive) of the Puerto Rico Highways and Transportation Authority to Claims Asserting Amounts for which the Puerto Rico Highways and Transportation Authority Is Not Liable* [ECF No. 8690] (the “Seventy-Fifth Omnibus Objection”). In support of this Reply, HTA respectfully represents as follows:

1. On October 24, 2019, HTA filed the Seventy-Fifth Omnibus Objection seeking to disallow, in whole or in part, certain proofs of claim for which HTA is not liable because the claims are based on bonds that have already been redeemed, refunded, or defeased, in whole or in part, each as listed on Exhibit A thereto.

2. Any party who disputed the Seventy-Fifth Omnibus Objection was required to file a response by 4:00 p.m. (Atlantic Time) on November 26, 2019, in accordance with the Court-approved notice attached to the Seventy-Fifth Omnibus Objection as Exhibit C, which was served in English and Spanish on the individual creditors subject to the Seventy-Fifth Omnibus Objection, the U.S. Trustee, and the Master Service List (as defined in the *Order Further Amending Case Management Procedures* [ECF No. 8027]). *See Certificate of Service* [ECF No. 8329].

3. On November 25, 2019, Claimant filed the Response to the objection to Claimant’s proof of claim, which proof of claim was filed on behalf of MGIC Indemnity Corporation against HTA on May 23, 2018, and logged by Prime Clerk as Proof of Claim No. 16608 (the “Claim”). The Response does not dispute that the liabilities asserted by the Claim “ha[ve] been paid. . . .” Resp. at 4. While the analysis should end there, surprisingly, the Response asserts that the

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<sup>2</sup> PROMESA is codified at 48 U.S.C. §§ 2101-2241.

Seventy-Fifth Omnibus Objection should be denied because “the CUSIP number identified in the [Claim]” does not “coincide with . . . the CUSIP numbers listed in the Material Event Notice” attached to the Response, and accordingly, the Claim “was not among those bonds that were redeemed, refunded or defeased.” *Id.* at 3. The Response further contends that, even though paid in full, the Claim should not be disallowed because the liabilities associated with the Claim were paid “post-petition,” and “creditor claims are generally determined as of date of filing.” Resp. at 3.

4. Both the Claim and the Response purport to assert liabilities associated with bonds issued by HTA and bearing CUSIP number 745181M38. The *Material Event Notice (Notice of Tender, Defeasance and Redemption)*, dated September 22, 2011, and attached hereto as Exhibit 1, identifies CUSIP number 745181M38 as a bond to be defeased. *See* Ex. 1 at 5. Accordingly, the bonds held by Claimant have been redeemed. Indeed, Claimant acknowledges as much, because Claimant concedes that the Claim has been paid. Resp. at 4.

5. The fact that the payment occurred post-petition is of no moment. As set forth in the Seventy-Fifth Omnibus Objection, pursuant to the terms of the Material Event Notice, “all [] rights granted to the holders” of defeased bonds were “discharged and satisfied.” Ex. 1 at 1. As a result of this discharge, HTA is no longer liable to any holders of the defeased bonds, including Claimant.

6. Accordingly, HTA respectfully requests that the Court grant the Seventy-Fifth Omnibus Objection and disallow the Claim in its entirety.

Dated: December 4, 2019  
San Juan, Puerto Rico

Respectfully submitted,

/s/ Hermann D. Bauer

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**CERTIFICATE OF SERVICE**

I hereby certify that on December 4, 2019, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification to all counsel of record, and all CM/ECF participants in the case.

/s/ Hermann D. Bauer

Hermann D. Bauer